109 FERC ¶ 61,111
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

October 29, 2004

In Reply Refer To:
Dominion Transmission, Inc.
Docket No. RP04-618-000

Dominion Transmission, Inc.
120 Tredegar Street
Richmond, VA 23219

Attention: Machelle F. Grim, Manager, Regulatory & Pricing

Reference: Annual Transportation Cost Adjustment Filing

Dear Ms. Grim:

1. On September 30, 2004, Dominion Transmission, Inc. (Dominion) filed revised tariff sheets[1] to update its effective Transportation Cost Rate Adjustment (TCRA) pursuant to section 15 of the General Terms and Conditions (GT&C) of its FERC Gas Tariff, Third Revised Volume No. 1. The Commission accepts and suspends the filed tariff sheets, and permits them to become effective November 1, 2004 as requested, subject to refund and to the conditions discussed below.

Details of Instant Filing

2. Dominion states in the instant filing that it proposes to adjust its Current Account No. 858 base rates to collect its current transportation costs, in accordance with GT&C section 15.3, and to update its TRCA surcharge rates pursuant to GT&C sections 15.4 and 15.5. Dominion has summarized the effect of the proposed TCRA on each element of its rates in the following chart. The chart compares the proposed rates to Dominion's

[1] Twenty-Second Revised Sheet No. 31, Twenty-Sixth Revised Sheet No. 32, Fourteenth Revised Sheet No. 34 and Eighteenth Revised Sheet No. 35.

rates that are presently in effect. The proposed rate column includes the effect of the instant TCRA filing, as well as Dominion's annual Electric Power and Cost Adjustment (EPCA) filing in Docket No. RP04-617-000.[2]

Rate Component	Proposed Rate	Current Rate	Difference
FT/FTNN Reservation	$5.3026	$5.3476	($0.0450)
FT/FTNN Usage	$0.0233	$0.0250	($0.0017)
IT	$0.1710	$0.1720	($0.0010)
GSS Demand Rate	$1.8822	$1.8841	($0.0019)
GSS Injection Rate	$0.0200	$0.0215	($0.0015)
GSS Withdrawal Rate	$0.0166	$0.0177	($0.0011)

3. Dominion states that it has updated its Unrecovered Transportation Cost Account balance, pursuant to GT&C section 15.4.A. Dominion states that as part of that computation, it is required to include in its annual TCRA certain refund amounts described in section 15.4.B of the GT&C, but that no refunds were received in the period covered by the instant filing. Dominion states that, as required by GT&C section 15.4.C, and as detailed on Workpaper 3, it has included applicable capacity release revenues credits to its Unrecovered Transportation Cost Account. Dominion states that it has calculated interest on the Transportation Cost Account balance in accordance with GT&C section 15.4.D.

4. Dominion's GT&C section 15.5.C requires that if its actual transportation costs are less than its current transportation costs as stated in GT&C section 15.3.A, Dominion is required to share one half of the savings with its customers. Accordingly, Dominion is returning $728,491 to its customers through a credit to the TRCA surcharge, as reflected on Workpaper 3.

5. Dominion states that the instant filing also includes a credit to its customers of the entire value attributable to confiscated gas. Dominion states that this is consistent with the Commission's decision in an order issued on January 7, 2004 in Docket No. RP04-105-000 (*citing Dominion Transmission, Inc.*, 106 FERC ¶ 61,007 (2004)).

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[2] Contemporaneously with this order, a Commission letter order is being issued in Docket No. RP04-617-000, conditionally accepting Dominion's EPCA filing of September 30, 2004, effective November 1, 2004.

Notice, Interventions and Protests

6. Notice of the filing was issued on October 7, 2004. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2004)). Pursuant to Rule 214, 18 C.F.R. § 385.214, all timely motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties. Protests were filed by the Major Non-Affiliated Distributor Group (the Distributor Group)[3] and Michael J. Wilhelm. On October 22, 2004, Dominion filed an answer to the protests of the Distributor Group and Mr. Wilhelm. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.213(a)(2) (2004)) prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept Dominion's answer because it has provided information that may assist us in our decision-making process. The details of the protests of the Distributor Group and Mr. Wilhelm and Dominion's answer are discussed below.

7. The Distributor Group protests that Dominion has failed to demonstrate that its proposed TCRA rates are just and reasonable. The Distributor Group states that since the rates generally represent a reduction from Dominion's currently effective rates, the Commission should allow the rates to go into effect as proposed, subject to refund. The Distributor Group asserts that the Commission should order Dominion to cure certain deficiencies in its September 30 filing, and that interested parties should be given an opportunity to analyze such additional data and file supplemental comments and/or protests, as necessary.

8. Specifically, the Distributor Group protests that the information contained in Dominion's workpapers lacks sufficient detail to enable the Commission and interested parties to fully analyze Dominion's proposed rate change, or for the Commission to determine whether Dominion's proposed TCRA rates are just and reasonable. The Distributor Group asserts that the workpapers only list annualized information for Dominion's actual costs for the period July 2003 through June 2004, and that Dominion failed to provide supporting detail substantiating monthly transactions and costs for that time period.

9. The Distributor Group protests that the instant filing fails to disclose whether Dominion is properly accounting for capacity release revenues. The Distributor Group notes that Dominion reports it did not have any capacity release revenues for the TCRA recovery period other than with respect to the Texas Eastern FT1-NC capacity, but that a

[3] The Distributor Group consists of National Fuel Gas Distribution Corporation, New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, and Niagara Mohawk Power Corporation, a National Grid company.

review of Tennessee Gas Pipeline Company's (Tennessee) electronic bulletin board reveals that Dominion released capacity under its Tennessee Zone 3 to 5 contract for the period April 2003 through October 2003. The Distributor Group acknowledges that, while that transaction appears to be a self-release, the Distributor Group is unsure whether it resulted in a subsequent release via segmentation and capacity release revenues that should be credited to the TCRA. The Distributor Group asserts that Dominion has not explained why it has not reported or accounted for this release in the instant filing.

10. Finally, the Distributor Group protests that the instant filing is unclear on the issue of whether Dominion is properly accounting for fuel associated with its Tennessee Account No. 858 contracts. For example, the Distributor Group notes that Dominion reported on its FERC Form 2 for the year ended December 31, 2003 that it delivered 4 Bcf of gas to Tennessee for transportation or compression.[4] But the Distributor Group asserts that the RP00-15 Settlement[5] provides that, when Dominion calculates the Actual Transportation Costs, the combined annual costs of the Capstone Project, including the cost of gas fuel and/or electric power attributable to that project, and the costs of any Tennessee market-area capacity that Dominion continues to purchase, are deemed to be $19.8 million.[6] The Distributor Group further asserts that the RP00-15 Settlement provides that any fuel costs associated with Account No. 858 contracts on Tennessee, including successor transactions,[7] are to be recovered by Dominion as an Account No. 858 expense, and that Dominion is prohibited from transferring these fuel costs to the

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[4] The Distributor Group cites Dominion Transmission, Inc., FERC Form 2, filed April 30, 2004.

[5] *Citing Dominion Transmission, Inc*., 89 FERC ¶ 61,304 (1999) (approving settlement filed in Docket No. RP00-15-000) (RP00-15 Settlement).

[6] The Distributor Group cites the RP00-15 Settlement, Stipulation and Agreement Section 5.3.B.

[7] The Distributor Group asserts that section 5.1 of the RP00-15 Settlement, Stipulation and Agreement, provides that Dominion shall have the right to *replace* FT-A capacity (Zones 3 to 5), listed in GT&C 15.7.C, with successor transactions, but that it shall modify GT&C 15.7.C accordingly, effective with the date of such replacement. The Distributor Group asserts that Dominion has not yet updated such listing to reflect the *addition* of its new two-year agreement with Tennessee for 20,000 dt/d of Zone 3 to Zone 4 capacity, which will be effective November 1, 2004. The Distributor Group states that Dominion should be required to file such update since all costs of capacity on Tennessee, including fuel and electric power, must be recovered via the deemed $19.8 million provided for in Dominion's TCRA mechanism.

Fuel Adjustment Provision (which is now defunct) or the Electric Power Cost Adjustment.[8]

11. The Distributor Group asserts that as required by Dominion's Tariff GT&C section 15.5, Tennessee fuel is to be accounted for via Dominion's TCRA. The Distributor Group further asserts that it is unclear from a review of the instant filing, as compared to Dominion's FERC Form 2, whether or not Dominion included fuel retainage in the amounts reported delivered to Tennessee.

12. In Mr. Wilhelm's protest to the instant filing, Mr. Wilhelm makes a number of the same comments and objections as he made to Dominion's September 30, 2003 TCRA filing in Docket No. RP03-623-000.[9] Mr. Wilhelm states that Dominion has historically not timely credited the value of unauthorized gas to its TCRA, that Dominion has historically ignored its tariff methodology to calculate interest on unpaid accruals in its TCRA, and that Dominion should indicate the TCRA revenues received from customers under negotiated rate agreements.

13. In addition, in what appears to be an issue Mr. Wilhelm did not raise in the Docket No. RP03-623-000 proceedings, Mr. Wilhelm asserts that Dominion should indicate the amount of Tennessee-related charges.[10] Mr. Wilhelm states that, consistent with the RP00-15 Settlement cited in section 15 of the GT&C of Dominion's tariff, Dominion has the right to charge the TCRA $19.8 million for the Tennessee Replacement Project and the costs of any Tennessee market-area capacity held by Dominion. Mr. Wilhelm states that Dominion holds such capacity on Tennessee, as indicated on Page 332 of its annual Form 2. Mr. Wilhelm further asserts that, according to section 4.2 of the RP00-15 Settlement and section 15.5B of the GT&C of Dominion's tariff, if

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[8] The Distributor Group cites RP00-15 Settlement, Stipulation and Agreement Section 6.1. The Distributor Group states that it is filing an intervention and protest of Dominion's September 30, 2004 filing to modify its Electric Power Cost Adjustment tariff provisions, in Docket No. RP04-617-000.

[9] In an order issued October 31, 2003, the Commission accepted Dominion's TCRA filing, subject to Dominion filing revised tariff sheets to reflect certain changes it proposed in its answer to Mr. Wilhelm's protest in that case. *Dominion Transmission, Inc.*, 105 FERC ¶ 61,173 (2003). The revised tariff sheets were accepted in a letter order issued December 9, 2003, subject to future Commission action. Mr. Wilhelm has requested rehearing of the October 31, 2003 Order in Docket No. RP03-623-002. In the instant filing, the Commission will accept Dominion's proposal subject to the outcome of the proceedings in Docket No. RP03-623-002.

[10] The Commission notes that this issue was also raised in the protest filed by the Distributor Group to the instant filing.

Dominion receives any compensation from another party for the Tennessee capacity, *e.g.*, capacity release revenues, such amount must be used to reduce the Actual Transportation Costs. Mr. Wilhelm contends that half of this amount would then be credited to the customers through the revenue sharing provisions of section 15.5C of the GT&C. Mr. Wilhelm states that, given that only the $19.8 million amount is cited in the filing, the Commission should require Dominion to indicate if it has received any compensation for the use of this capacity during the TCRA period.

14. In its answer, Dominion provides a revised version of its Workpaper 3, showing monthly actual costs for the period July 2003 through June 2004. Dominion responds to the Distributor Group's question of proper accounting for fuel associated with its Tennessee Account No. 858 contracts and states that no costs are included in the TCRA that are associated with Tennessee capacity, other than the "Tennessee Replacement Project/Capstone" in Article V.[11] Dominion responds to the Distributor Group's concern regarding a release reflected on Tennessee's electronic bulletin board by stating that the transaction was a "self-release" and no capacity was released to any third party and therefore, there is no capacity release revenue or other relevant data to report.

15. Addressing Mr. Wilhelm's arguments, Dominion states that it will adopt the monthly crediting approach to credit the value of confiscated gas to the TCRA monthly rather than on an annual basis in next year's annual TCRA. Dominion calculates that if that change in methodology had been used in this year's filing, it would result in a change totaling $166. Dominion responds to Mr. Wilhelm's complaint that it does not exclude unpaid accruals from its interest calculations by stating that its interest computations are consistent with both its tariff and applicable settlement provisions. In response to Mr. Wilhelm's complaint regarding Dominion's treatment of TCRA revenues received from negotiated rate customers, Dominion states that it treated all volumetric negotiated rates like any other usage rate to determine TCRA recovery amounts.

Discussion

16. The Commission will allow interested parties to submit supplemental comments in this proceeding within 15 days of the date of this order.

17. Based upon a review of the filing, the Commission finds that the proposed tariff sheets have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. The Commission will accept the tariff sheets for filing and suspend their effectiveness for the period set forth below, and permit them to become effective, subject to the conditions set forth in this order.

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[11] Dominion states that its response to the Distributor Group's concerns regarding Tennessee charges fully address Mr. Wilhelm's concerns about Tennessee charges.

18. It is the Commission's policy generally to suspend rate filings for the maximum period permitted by statute if preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards.[12] It is recognized, however, that shorter suspensions may be warranted under circumstances in which suspension for the maximum period may lead to harsh and inequitable results.[13] Such circumstances exist here where the Commission is reviewing a TCRA filed in accordance with the pipeline's tariff. Therefore, the Commission will exercise its discretion to suspend the effectiveness of the proposed tariff sheets and permit them to take effect November 1, 2004, subject to refund, further review, and the outcome in Docket RP03-623-002.

By direction of the Commission.

Linda Mitry
Acting Secretary

[12] *See Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five month suspension).

[13] *See Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension).